

# *Financial Statements*

## UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Year Ended June 30, 2008

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors  
Union County Emergency Communications District  
Maynardville, Tennessee

We have audited the accompanying statement of net assets of Union County Emergency Communications District, a component unit of Union County, Tennessee, as of June 30, 2008, and the related statement of revenue, expenses and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Union County Emergency Communications District as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 to 5 and the required supplementary information on page 18 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2009 on our consideration of Union County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mitchell Emert & Hill*

April 20, 2009

# **Union County E-911**

901 Main Street Suite 219

Maynardville, TN 37807

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Union County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2008. Please read it in conjunction with the District's financial statements, which follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's creditors (liabilities).

All of the current year's revenue and expenses are accounted for in the Statement of Revenue, Expenses, and Change in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

### **FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenue, Expenses and Change in Net Assets report information about the District's activities in a way that will help answer this question. The two statements report the net assets of the District and the changes in them. One can think of the District's net assets—the difference between assets and liabilities as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net assets and changes in them is presented below:

## **SUMMARIZED FINANCIAL INFORMATION**

	<u>2008</u>	<u>2007</u>
<b>NET ASSETS</b>		
Current assets	\$ 602,998	\$ 530,455
Capital assets, net of accumulated depreciation	<u>226,976</u>	<u>255,353</u>
Total assets	<u>\$ 829,974</u>	<u>\$ 785,808</u>
Liabilities	\$ 0	\$ 793
Net assets:		
Invested in capital assets, net of related debt	226,976	255,353
Unrestricted	<u>602,998</u>	<u>529,662</u>
	<u>829,974</u>	<u>785,015</u>
Total liabilities and net assets	<u>\$ 829,974</u>	<u>\$ 785,808</u>

## **CHANGES IN NET ASSETS**

Operating revenue	\$ 274,809	\$ 285,878
Operating expenses	<u>389,765</u>	<u>195,190</u>
Operating (loss) income	(114,956)	90,688
Non-operating revenue	159,915	33,681
Capital contributions	<u>0</u>	<u>145,668</u>
Change in net assets	44,959	270,037
Beginning net assets	<u>785,015</u>	<u>514,978</u>
Ending net assets	<u>\$ 829,974</u>	<u>\$ 785,015</u>

## **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

As can be seen from the summarized financial information, the District's net assets have increased \$44,959 during the year ended June 30, 2008. Operating revenue decreased at a rate of 4% while operating expenses increased by 95%. The decrease in operating revenue is due primarily to a operating grant not received from the State of Tennessee Emergency Communications District Board. The increase in operating expenses is due primarily to additional dispatchers and other personnel added to the District's staff.

## **THE DISTRICT'S NET ASSETS**

The District completed the year with net assets of \$829,974 which is \$44,959 more than last year's ending net assets of \$785,015. The net assets at July 1, 2007 have been restated for a receivable not previously recorded.

## **BUDGETARY HIGHLIGHTS**

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

Income from residential phone lines increased from revenue for the prior year and was \$15,010 more than the budgeted income. State shared wireless income decreased from revenue for the prior year and was \$11,085 more than the budgeted income. Operating income increased from revenue for the prior year and was \$28,640 more than the budgeted income. Actual expenses were \$12,310 less than budgeted amount due primarily to a decline in personnel service expenses.

## **CAPITAL ASSETS**

The District's investment in capital assets amounts to \$352,135 with accumulated depreciation of \$125,159. Capital assets include the leasehold improvements, communications equipment, vehicles, office furniture and office equipment.

## **ECONOMIC FACTORS AND FUTURE NEEDS**

The main economic factor facing the Union County Emergency Communications District is the potential decrease in revenue generated from landline telephones. Many residents now use cell phones for their residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and income from shared wireless fees has been a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate that monthly losses of landline revenue may be stabilizing and may remain at a more manageable level in the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any question or need additional information, contact the Director of the Union County Emergency Communications District at 865-992-9366.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF NET ASSETS**

June 30, 2008

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 546,061
Certificate of deposit	34,069
Accounts receivable	18,605
Prepaid expenses	<u>4,263</u>

**TOTAL CURRENT ASSETS** 602,998

**PROPERTY AND EQUIPMENT**

Communications equipment	\$ 322,144
Office equipment	14,243
Machinery and equipment	12,548
Leasehold improvements	<u>3,200</u>
	352,135
Accumulated depreciation	<u>(125,159)</u>
	<u>226,976</u>

**TOTAL ASSETS** \$ 829,974

**NET ASSETS**

Invested in capital assets	\$ 226,976
Unrestricted	<u>602,998</u>

**TOTAL NET ASSETS** \$ 829,974

See the accompanying notes to the financial statements.



UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

Year Ended June 30, 2008

**OPERATING REVENUE**

Emergency telephone service charges	\$ 145,010
TECB-shared wireless charge	41,085
TECB-operational funding program	86,169
Other operating revenue	<u>2,545</u>

**TOTAL OPERATING REVENUE** 274,809

**OPERATING EXPENSES**

Personnel services:

Director	\$ 14,156	
Dispatchers	204,055	
Data processing personnel	20,361	
Part-time personnel	5,479	
Retirement	13,390	
Unemployment compensation	1,971	
Social security	<u>20,331</u>	279,743

Contracted services:

Auditing services	3,100	
Accounting services	8,502	
Fees paid to service providers	21,238	
Janitorial services	442	
NCIC/TBI/TIES expenses	<u>3,060</u>	36,342

Lease/Rental:

Furniture and fixtures	747	
Lease and rentals	<u>4,800</u>	5,547

Maintenance and repairs:

Buildings and facilities	668	
Equipment	17,613	
Vehicles	<u>81</u>	18,362

Supplies and materials:

Office supplies	1,457	
Uniforms	<u>2,403</u>	3,860

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

(continued)

Year Ended June 30, 2008

Utilities:		
General telephone		7,714
Other charges:		
Dues and memberships	302	
Insurance	4,264	
Travel	3,445	
Bank charges	29	
Miscellaneous	<u>1,780</u>	9,820
Depreciation		<u>28,377</u>
<b>TOTAL OPERATING EXPENSES</b>		<u>389,765</u>
<b>(LOSS) FROM OPERATIONS</b>		(114,956)
<b>NON-OPERATING REVENUE</b>		
Contributions from primary government	150,862	
TECB-grants and reimbursements	5,425	
Interest income	<u>3,628</u>	<u>159,915</u>
<b>CHANGE IN NET ASSETS</b>		44,959
<b>NET ASSETS AT THE BEGINNING OF THE YEAR, as restated</b>		<u>785,015</u>
<b>NET ASSETS AT THE END OF THE YEAR</b>		<u>\$ 829,974</u>

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2008

**CASH PROVIDED(USED) BY OPERATING ACTIVITIES**

Cash received from telephone charges	\$ 293,920
Cash paid to suppliers	(107,658)
Cash paid to employees	<u>(254,523)</u>

**NET CASH (USED) BY OPERATING ACTIVITIES** (68,261)

**CASH PROVIDED BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Capital contributions received	145,667
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**CASH PROVIDED BY NON-CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Contributions from primary government	\$ 150,862
TECB-grants and reimbursements	<u>5,425</u>

**NET CASH PROVIDED BY NON-CAPITAL AND  
RELATED FINANCING ACTIVITIES** 156,287

**CASH PROVIDED(USED) BY INVESTING ACTIVITIES**

Interest received	3,628
(Increase) in certificate of deposit	<u>(1,555)</u>

**NET CASH PROVIDED BY INVESTING ACTIVITIES** 2,073

**NET INCREASE IN CASH** 235,766

**CASH AT THE BEGINNING OF THE YEAR** 310,295

**CASH AT THE END OF THE YEAR** \$ 546,061

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2008

**RECONCILIATION OF (LOSS) FROM  
OPERATIONS TO NET CASH (USED)  
BY OPERATING ACTIVITIES**

(Loss) from operations				\$(114,956)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:				
Depreciation	\$	28,377		
Decrease in accounts receivable		19,111		
(Decrease) in accounts payable		<u>(793)</u>		
				<u>46,695</u>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>				<b><u><u>\$ (68,261)</u></u></b>

See the accompanying notes to the financial statements.

## UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

#### **NOTE A - DESCRIPTION OF ORGANIZATION**

Union County Emergency Communications District (the District) was established on October 16, 1990, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for furnishing local emergency telephone service and a primary emergency telephone number for the residents of Union County, Tennessee. The District is governed by a nine-member Board appointed by the Board of Commissioners of Union County, Tennessee. The Board has the authority to levy an emergency telephone service charge to be used to fund the operations of the District. The District began collecting telephone user fees on February 1, 1991, and began operations during the 1992-93 fiscal year.

The District is considered a component unit of Union County, Tennessee because the Union County Mayor appoints, and the Union County Board of Commissioners affirms, the District's Board of Directors and must approve most debt issued by the District.

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Basis of Accounting

The District uses the accrual basis of accounting. Revenues are recognized when earned and measurable, and expenses are recognized when the liability is incurred. The District follows all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The District has not elected to follow FASB pronouncements issued after November 30, 1989.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset groups:

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2008 has been calculated as follows:

Capital assets	\$ 352,135
Accumulated depreciation	<u>(125,159)</u>
	<u>\$ 226,976</u>

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2008

Restricted: This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2008.

Unrestricted: This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “invested in capital assets”. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2008, no allowance for uncollectible accounts was considered necessary.

Property and Equipment

Property and equipment is recorded at cost and defined by the District as assets with an initial, individual cost of \$5,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to thirty years.

Operating Budget

Prior to the beginning of the fiscal year, the Board of Directors adopts an annual budget, as required by state law. All revisions must also be approved by the Board. All appropriations lapse at the end of the year.

The budget is prepared on the cash basis of accounting. Under that basis, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. Property and equipment purchases are recognized as expenses and no depreciation expense is recognized.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2008

**NOTE C - CASH**

Cash is stated at cost, which approximates market value. These balances were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's investment pool.

The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool. Although the District may participate in the state investment pool, it elects not to. District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the District and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance.

The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be classified as category one insured credit risk in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*.

**NOTE D - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

### NOTE E – PROPERTY AND EQUIPMENT

	<u>Balance</u> <u>7/1/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/08</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 322,144	\$ 0	\$ 0	\$ 322,144
Leasehold improvements	3,200	0	0	3,200
Office equipment	14,243	0	0	14,243
Machinery and equipment	<u>12,548</u>	<u>0</u>	<u>0</u>	<u>12,548</u>
	352,135	0	0	352,135
<u>Accumulated depreciation</u>				
Communications equipment	(73,680)	(27,202)	0	(100,882)
Leasehold improvements	(639)	(214)	0	(853)
Office equipment	(13,865)	(216)	0	(14,081)
Machinery and equipment	<u>(8,598)</u>	<u>(745)</u>	<u>0</u>	<u>(9,343)</u>
	<u>(96,782)</u>	<u>(28,377)</u>	<u>0</u>	<u>(125,159)</u>
	<u>\$ 255,353</u>	<u>\$ (28,377)</u>	<u>\$ 0</u>	<u>\$ 226,976</u>

### NOTE F – RETIREMENT

#### Plan Description

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for a disability that is the result of an accident or injury occurring while the member was in the performance of his duties.



## UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

### **NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2008

Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in the state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

#### Funding Policy

The District requires employees to contribute 5.0 % of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008 was 7.11% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

#### Annual Pension Cost

For the year ended June 30, 2008, the District's annual pension cost of \$13,391 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually.

The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 0 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

# UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

### Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 13,391	100.00%	\$ 0
6/30/07	0	100.00	0
6/30/06	0	100.00	0

### Funded Status and Funding Progress

The District elected to participate in the Political Subdivision Pension Plan (PSPP), effective July 1, 2007. Therefore funding status and funding progress information as of that date are not available.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Actuarial valuation date	7/1/07
Actuarial value of plan assets	\$ 0
Actuarial accrued liability (AAL)	N/A
Unfunded AAL (UAAL)	N/A
Funded ratio	N/A
Covered payroll	0
UAAL as a percentage of covered payroll	N/A

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2008

**NOTE G – RESTATEMENT**

Net assets at July 1, 2007 have been restated for a receivable not previously recorded:

Balance at June 30, 2007 as originally reported	\$ 765,589
Accounts receivable at June 30, 2007	<u>19,426</u>
Balance at July 1, 2007, as restated	<u><u>\$ 785,015</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**SCHEDULE OF FUNDING PROGRESS – POLITICAL SUBDIVISION**  
**PENSION PLAN SUPPLEMENTARY INFORMATION**

June 30, 2008

Actuarial valuation date	7/1/07
Actuarial value of plan assets	\$ 0
Actuarial accrued liability (AAL)	N/A
Unfunded AAL (UAAL)	N/A
Funded ratio	N/A
Covered payroll	0
UAAL as a percentage of covered payroll	N/A

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the Entry Age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

Year Ended June 30, 2008

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Cash basis)</u>	<u>Variance</u> <u>Over (Under)</u>
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 145,010	\$ 130,000	\$ 15,010
TECB-shared wireless charge	41,085	30,000	11,085
TECB-operational funding program	86,169	86,169	0
Other operating revenue	<u>2,545</u>	<u>0</u>	<u>2,545</u>
<b>TOTAL OPERATING REVENUE</b>	274,809	246,169	28,640
<b>OPERATING EXPENSES</b>			
Personnel services:			
Director	14,156	8,000	6,156
Dispatchers	204,055	206,000	(1,945)
Data processing personnel	20,361	33,000	(12,639)
Part-time personnel	5,479	11,000	(5,521)
Retirement	13,390	12,770	620
Unemployment compensation	1,971	0	1,971
Social Security	<u>20,331</u>	<u>19,703</u>	<u>628</u>
	279,743	290,473	(10,730)
Contracted services:			
Auditing services	3,100	2,500	600
Accounting services	8,502	8,502	0
Addressing expenses	0	2,000	(2,000)
Data processing services	0	1,000	(1,000)
Fees paid to 911 service providers	21,238	17,000	4,238
Janitorial services	442	1,000	(558)
Pest control services	0	500	(500)
NCIC/TBI/TIES expenses	<u>3,060</u>	<u>6,500</u>	<u>(3,440)</u>
	36,342	39,002	(2,660)
Lease/Rental:			
Furniture and fixtures	747	1,000	(253)
Lease and rentals	<u>4,800</u>	<u>4,800</u>	<u>0</u>
	5,547	5,800	(253)

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2008

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Cash basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Maintenance and repairs:			
Buildings and facilities	668	1,000	(332)
Equipment	17,613	17,000	613
Vehicles	81	500	(419)
	<u>18,362</u>	<u>18,500</u>	<u>(138)</u>
Supplies and materials:			
Office supplies	1,457	5,000	(3,543)
Software support	0	1,000	(1,000)
Uniforms	2,403	3,000	(597)
Small equipment	0	500	(500)
	<u>3,860</u>	<u>9,500</u>	<u>(5,640)</u>
Utilities:			
General telephone	7,714	12,000	(4,286)
Other charges:			
Dues and memberships	302	500	(198)
Employee testing and exams	0	5,000	(5,000)
Insurance	4,264	13,000	(8,736)
Travel	3,445	4,000	(555)
Premiums on surety bonds	0	500	(500)
Bank charges	29	500	(471)
Board meeting expense	0	300	(300)
Miscellaneous	1,780	3,000	(1,220)
Depreciation	28,377	0	28,377
	<u>38,197</u>	<u>26,800</u>	<u>11,397</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>389,765</u>	<u>402,075</u>	<u>(12,310)</u>
<b>(LOSS) FROM OPERATIONS</b>	(114,956)	(155,906)	40,950



UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2008

	Actual <u>(Accrual basis)</u>	Budget <u>(Cash basis)</u>	Variance <u>Over (Under)</u>
<b>NON-OPERATING REVENUE</b>			
Contributions from primary government	150,862	150,862	0
TECB-grants and reimbursements	5,425	10,000	(4,575)
Interest income	<u>3,628</u>	<u>1,000</u>	<u>2,628</u>
	159,915	161,862	(1,947)
 <b>CHANGE IN NET ASSETS</b>	 <u>\$ 44,959</u>	 <u>\$ 5,956</u>	 <u>\$ 39,003</u>

See the accompanying independent accountants' audit report.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**EXPENDITURES OF STATE AWARDS**

Year Ended June 30, 2008

<u>Grant Number</u>	<u>Grant Purpose</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
N/A	Equipment Upgrade	Tennessee Department of Commerce and Insurance
Z03016992	Mapping and Addressing	Tennessee Department of Commerce and Insurance

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2007</u>	<u>Receipts</u>	<u>Expenses</u>	<u>Receivable June 30, 2008</u>
\$ 145,668	\$ 145,668	\$ 0	\$ 0
<u>0</u>	<u>5,425</u>	<u>5,425</u>	<u>0</u>
<u>\$ 145,668</u>	<u>\$ 151,093</u>	<u>\$ 5,425</u>	<u>\$ 0</u>

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**PUBLIC SAFETY ANSWERING POINTS**

June 30, 2008

There is one public safety answering point (PSAP) utilized by the Union County Emergency Communications District (the District).

The PSAP is located at the District's office at 130 Veterans Street, Maynardville, TN 37807.

The District uses the following system and/or equipment:

Merecom Data Logger  
Manual and electronic databases provided by AT&T

See the accompanying independent accountants' audit report.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**ROSTER OF OFFICIALS**

June 30, 2008

Director

Stacy Rhodes  
P.O. Box 743  
Maynardville, TN 37807  
Telephone number-865-992-9366  
Telefax number-865-992-1937

Chairman of the Board of Directors

Stanley Boles  
901 Main Street, Suite 124  
Maynardville, TN 37807  
Telephone number-865-992-3061  
Telefax number-865-992-1937

Members of the Board of Directors

Joyce Meltebarger  
Andrew Reed  
R.L. Jones  
Burney Hutchinson  
Melborne Munsey  
Chad Faulkner  
Bob Swisher  
Earl Loy, Jr.

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Union County Emergency Communications District  
Maynardville, Tennessee

We have audited the financial statements of Union County Emergency Communications District, a component unit of Union County, Tennessee, as of and for the year ended June 30, 2008 and have issued our report thereon dated April 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County Emergency Communication District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Union County Emergency Communication District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. (2008-A-1 and 2008-A-2)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be a significant deficiency or material weakness. However, the significant deficiencies described above are not considered to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters that we have reported to the management of Union County Emergency Communications District in a separate letter dated April 20, 2009.

Union County Emergency Communications District responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Union County Emergency Communications District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Mitchell Emert & Hill*

April 20, 2009



UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES**

Year Ended June 30, 2008

Finding Number 2008-A-1 – Segregation of Duties

*Finding:* Due to the limited number of personnel available, a lack of segregation of duties exists in the areas of preparing bank deposits, posting accounting records, preparing bank reconciliations and making disbursements.

*Recommendation:* Accounting duties should be divided among existing personnel and Board members to ensure proper segregation of duties. The Board of Directors should consider the cost and benefit of adding additional staff members to ensure proper segregation of duties exist.

*Management Response:* We concur.

Finding Number 2008-A-2 - Financial Oversight

*Finding:* The District does not have sufficient internal control over its financial reporting process. There is no documentation of review of bank reconciliations, cash receipts and disbursements, and journal entries. Also, there are inadequate controls in place to ensure that the District's financial statements are prepared in accordance with generally accepted accounting principles.

*Recommendation:* The Board of Directors should establish review procedures for financial reporting and assign a knowledgeable person the responsibility for such review.

*Management Response:* We concur.